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25X1

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25X1

State Dept. review completed

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25X1

SUMMARY**FAR EAST**

1. Japanese constitutional revision to permit rearmament may require three years (page 3).

NEAR EAST - AFRICA

2. Iranian prime minister reportedly now plans Majlis elections in spring (page 3).

25X1

3. Anglo-Egyptian negotiations encounter new difficulties (page 4).
5. Libyan prime minister's resignation threatens US base negotiations (page 5).

WESTERN EUROPE

6. USSR hints at extensive release of buildings in Austria (page 6).

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25X1A

- 2 -

25X1A

26 Sept 53

25X1A

FAR EAST

1. Japanese constitutional revision to permit rearmament may require three years:

25X1A



Japanese defense officials believe that a three-year public educational campaign is necessary before there would be a reasonable chance of success for a pub-

lic referendum on the constitutional revision required for Japan's rearmament. In presenting Japan's defense plan to American authorities, the officials asserted that prior to such revision Japan's ability to increase its defense forces is limited by the lack of a legal basis for conscription and a reserve system.

The Japanese officials stated that a coalition promising eventual merger of Japan's conservative parties was also a prerequisite for a strong defense structure. They were optimistic that such a merger might occur in the near future.

Comment: The proposed Japanese five-year defense plan calling for an eventual 210,000-man ground force, 140,000-ton navy and 1,400-plane air force sets goals which, in the American view, are below the nation's capabilities. This may represent a minimum bargaining position, however, and the Japanese probably will be prepared to raise their goals in negotiating for Mutual Security assistance.

25X1

NEAR EAST - AFRICA

2. Iranian prime minister reportedly now plans Majlis elections in spring:



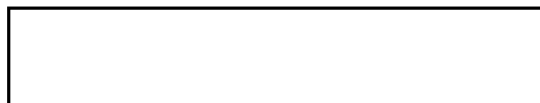
Prime Minister Zahedi does not intend to reconvene the present Majlis, but will wait four months until it legally expires and then open a three-month campaign

in support of his own candidates for a new election,



25X1

25X1



26 Sept 53

25X1

The prime minister expects to reconstitute the Senate after a new Majlis has been elected.

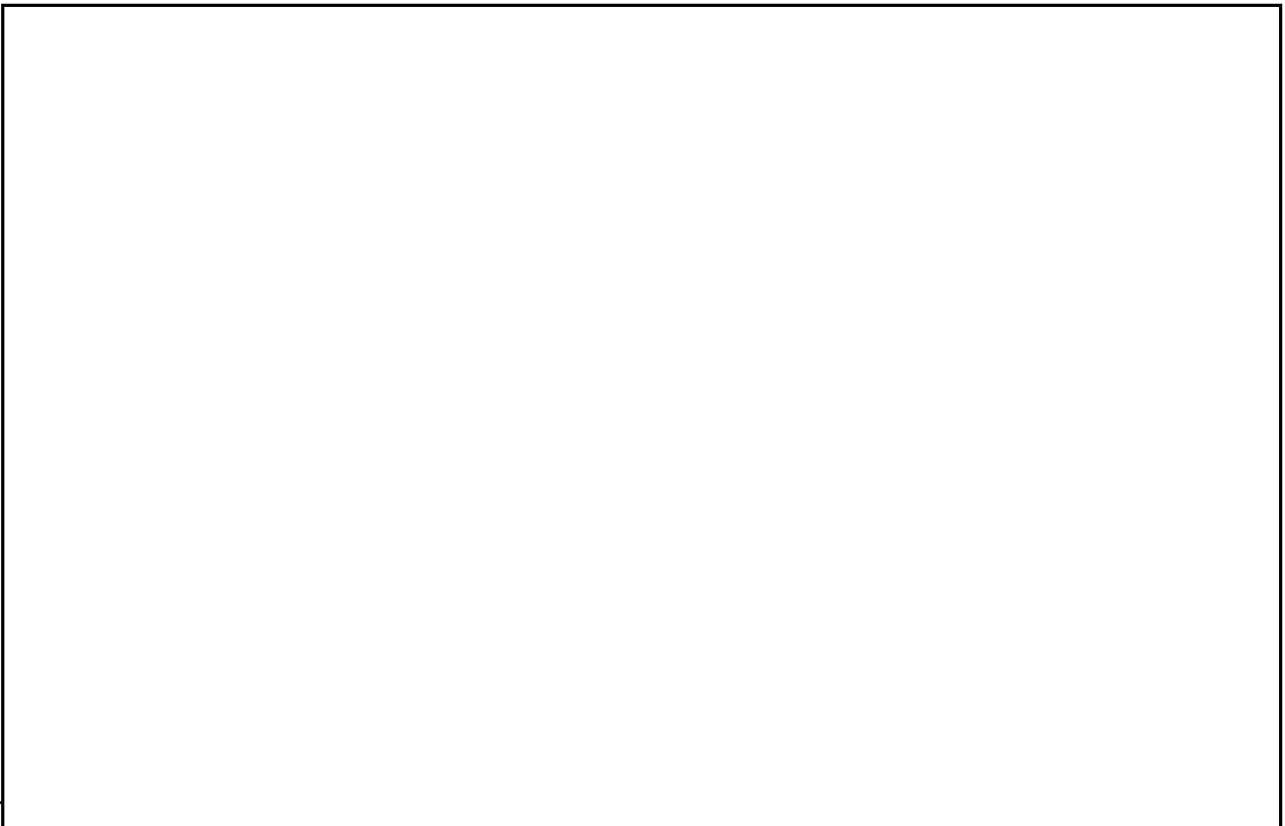
Comment: If Zahedi follows this plan,

25X1

25X1

the necessary parliamentary approval for foreign loans or for an oil settlement will be delayed until late spring or early summer. The shah has opposed early elections.

Failure to convene a Majlis at an early date will probably bring increasing protests and will probably help to unify the opposition.



4. Anglo-Egyptian negotiations encounter new difficulties:

25X1A



Informal Anglo-Egyptian talks on the future of the Suez base were suspended after the 23 September meeting because of Egyptian

- 4 -



26 Sept 53

25X1A

25X1A

[redacted] refusal to permit British technicians to wear uniforms on the base.

The Egyptians have suggested that the British seek further instructions from London before resuming talks. No date has been set for the next meeting.

General Robertson, the British military delegate, has told Ambassador Caffery that the question of uniforms is a "sticking point," as it is an important factor in the control and administration of British technicians. The American embassy in London also reports that the Foreign Office considers uniforms a major issue on which it is unlikely to concede.

Comment: In recent weeks the atmosphere in Cairo has been generally tense. The British have clung tenaciously to their basic position and the Egyptians have exhibited continuing suspicion and uncertainty. This suggests that other differences may appear to delay a final agreement.

5. Libyan prime minister's resignation threatens US base negotiations:

25X1A

[redacted] Failure of Prime Minister Muntasser to withdraw his resignation may result in a serious setback to US base negotiations, according to American minister Villard in Tripoli. Muntasser is considered the only Libyan with authority and familiarity with the base negotiations.

The prime minister, who is in Europe for medical treatment, submitted his resignation on 19 September following King Idriss' unconstitutional appointment of three cabinet members.

Muntasser has refused to reconsider his resignation or to return to Libya to discuss the matter with the king. Villard believes that the current crisis might be settled if Muntasser's resignation were accepted and if he were then asked to form a new government.

Villard reports, however, that it will be difficult to find a stabilizing influence in the present crisis.

25X1A

- 5 -

[redacted] 26 Sept 53

25X1A

WESTERN EUROPE

6. USSR hints at extensive release of buildings in Austria:

25X1A



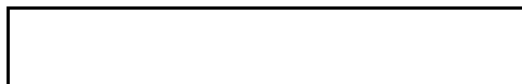
Soviet high commissioner Ilichev told Austrian foreign minister Gruber on 23 September that the Soviet authorities were about to release to the Austrians

"a very large number of buildings." This was in answer to a request for derequisition of a badly needed municipal building. Gruber told the American ambassador he was uncertain whether this remark had broader implications.

Comment: While a partial withdrawal of Soviet troops from Austria remains a possibility, Ilichev recently denied rumors that such a move was under way. It is possible that the recent actions of the Soviet Union in assuming all of its occupation costs and decreasing its supervision of Austrian affairs have necessitated an administrative retrenchment.

- 6 -

25X1A



26 Sept 53